

## Message Text

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PAGE 01 ROME 04934 161648Z  
ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 SSO-00 NSCE-00 USIE-00  
INRE-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00  
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00  
PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00  
SP-02 SOE-02 OMB-01 DOE-11 /106 W  
-----008788 161652Z /43

O R 161600Z MAR 78  
FM AMEMBASSY ROME  
TO SECSTATE WASHDC IMMEDIATE 1356  
INFO AMEMBASSY BRUSSELS  
USMISSION GENEVA  
AMEMBASSY PARIS

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USEEC; USMTN ALSO FOR MISSION; USOECD

E.O. 11652: N/A  
TAGS: ETRD, IT  
SUBJECT: TESTIMONY FOR HEARING ON "BUY AMERICA" BILL

REF: STATE 061254

1. EMBASSY INQUIRIES AT MINISTRY OF FOREIGN TRADE DID NOT RUN UP ANY  
ITALIAN DATA ON TOTAL GOI PURCHASES FROM US. MOREOVER WE HAVE NO BASI  
S  
FOR PROVIDING REASONABLE ESTIMATES.

2. MOST SIGNIFICANT RECENT GOI PROCUREMENT OF US PRODUCTS PROBABLY  
IS MILITARY EQUIPMENT. GOI HAS PURCHASED A TOTAL OF \$770.9 MILLION  
UNDER THE FOREIGN MILITARY SALES (FMS) PROGRAM SINCE THE 1950'S.  
FMS PURCHASES IN RECENT YEARS WERE \$24.9 MILLION IN FY 1976, AND  
\$23.8 IN FY 1977. AS OF SEPTEMBER 30, 1977 THE UNDELIVERED BALANCE UN

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PAGE 02 ROME 04934 161648Z

DER FMS SALES WAS \$107.2 MILLION. IN ADDITION DEPARTMENT OF DEFENSE  
ESTIMATES THAT GOI COMMERCIAL (NON FMS) IMPORTS OF MILITARY EQUIPMENT  
FROM THE US TOTALLED \$85 MILLION IN FY 1976, \$98 MILLION IN FY 1977  
AND ARE EXPECTED TO BE \$105 MILLION IN FY 1978 AND \$114 MILLION IN  
FY 1979.

3. MINISTRY OF INDUSTRY OFFICIAL INFORMED EMBOFF THAT GOI

EXPECTS TO SPEND 800 BILLION LIRE (ABOUT \$938 MILLION) IN THE US OVER THE NEXT FEW YEARS FOR MILITARY EQUIPMENT UNDER THE SPECIAL ARMED FORCES "PROMOTIONAL" LAWS PASSED BY PARLIAMENT IN 1976 AND 1977. THIS AMOUNT IS OVER AND ABOVE ANY PURCHASES THAT MAY BE MADE UNDER THE ANNUAL MILITARY BUDGETS.

4. ITALY'S LARGE STATE-CONTROLLED ENTERPRISE SECTOR IS ULTIMATELY CONTROLLED BY THE GOI, BUT THE EMBASSY BELIEVES THAT THE GOI DOES NOT NORMALLY DIRECT THE PURCHASING DECISIONS OF THESE ENTERPRISES. THE MOST SIGNIFICANT RECENT PURCHASES BY THEM IN RECENT YEARS WERE ALITALIA'S ACQUISITION OF US AIRCRAFT: 7 BOEING 727'S IN 1976 FOR \$75.5 MILLION AND 3 DC 9'S IN 1974 FOR \$15.7 MILLION. ALITALIA ALSO BROUGHT 4 ADDITIONAL BOEING 727'S IN 1977 (FOR DELIVERY IN 1979) FOR AN ESTIMATED \$55 MILLION.

5. COMMENT. ALITALIA HAS TRADITIONALLY PURCHASED MOST OF ITS AIRCRAFT FROM THE US AND SUCH PURCHASES RUN WELL OVER THREE HUNDRED MILLION DOLLARS IN THE 1970'S ALONE. ITALY AND ALITALIA ARE UNDER CONSIDERABLE PRESSURE TO BUY MORE AIRCRAFT FROM EUROPEAN COMMUNITY MEMBER COUNTRY PRODUCERS AT THE EXPENSE OF THE US MARKET SHARE. THUS FAR, ALITALIA HAS RESISTED THESE PRESSURES. IN THE EMBASSY'S VIEW THE "BUY AMERICAN AMENDMENTS OF 1977" COULD CONTRIBUTE HEAVILY TO CHANGING GOI AND ALITALIA ATTITUDES ON PURCHASES FROM THE US. END COMMENT.

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PAGE 03 ROME 04934 161648Z

6. ITALY'S STATE ELECTRIC POWER UTILITY, ENEL, HAS BOUGHT ITS NUCLEAR POWER FACILITIES FROM THE US. THE LAST SIGNIFICANT PURCHASE WAS COMPONENTS FOR A GENERAL ELECTRIC LIGHT WATER REACTOR (LWR) FOR \$68.6 MILLION IN 1971. GOI HAS RECENTLY MOVED TO CLEAR THE WAY FOR AN ENEL PROGRAM TO BUILD EIGHT (AND PROBABLY FOUR ADDITIONAL) LWR'S OVER THE NEXT TEN YEARS OR SO. THESE ARE NOW EXPECTED TO BE ALL US DESIGNED PLANTS BUILT UNDER LICENSE IN ITALY WITH SOME COMPONENTS COMING FROM THE US. IT IS CONCEIVABLE THAT SOME PORTION OF THESE PURCHASES COULD BE DIVERTED TO NON-US SUPPLIERS IN THE EVENT THE BUY AMERICA AMENDMENTS BECOME LAW.

7. ITALIAN MINISTRY OF POSTS AND TELECOMMUNICATIONS (PTT) AWARDED CONTRACT IN 1975 FOR \$12.9 MILLION TO US COMPANY, COLLINS RADIO, FOR SUPPLY AND INSTALLATION OF MESSAGE SWITCHING CENTER IN ROME, WHICH WILL BE IMPLEMENTED OVER NEXT FEW YEARS. AWARD CALLED FOR SECOND MESSAGE SWITCHING CENTER IN ITALY AS WELL. ITALIAN PTT CURRENTLY CONSIDERING LARGER INVOLVEMENT THIS AMERICAN COMPANY IN FUTURE PROGRAMMING ADDITIONAL MESSAGE SWITCHING CENTERS. ITT SUBSIDIARY FACE STANDARD IS ALREADY MAJOR FACTOR IN STATE-CONTROLLED TELECOMMUNICATIONS SECTOR.

8. COMMENT. IT IS WORTH RECALLING THAT WHILE ITALY DOES NOT  
NOW HAVE A "BUY ITALY" LAW, MINISTER OF FOREIGN TRADE RINALDO  
OSSOLA INFORMALLY PROPOSED SUCH A PROGRAM IN 1977. HIS  
PROPOSAL WENT NOWHERE, BUT WITH THE INCENTIVES PROVIDED BY THE  
BUY AMERICAN AMENDMENTS, THE OSSOLA IDEA COULD BE EASILY  
RESURRECTED.GARDNER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
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**Current Classification:** UNCLASSIFIED  
**Concepts:** LEGISLATIVE TESTIMONY, COMMODITY AGREEMENTS, FOREIGN TRADE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
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**Original Handling Restrictions:** n/a  
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**TAGS:** ETRD, IT  
**To:** STATE  
**Type:** TE  
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